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This document provides answers to frequently asked questions from Public Housing Authorities (PHAs) interested in blending Rental Assistance Demonstration (RAD) program authority provided through [RAD Notice H-2019-09 PIH-2019-23 \(HA\)](#) and Section 18 disposition authority provide through Section 3.A.3.b of [PIH Notice 2018-04 \(HA\)](#) and 24 CFR 970.17(c).

Section 3.A.3.b of PIH 2018-04 (HA) allows a PHA to justify the disposition of its remaining public housing ACC units through Section 18 if the PHA has 50 or fewer units. If a PHA has more than 50 units, it may remove other public housing units from its inventory through other Section 18 or RAD Applications that would result in the PHA having 50 or fewer units and then subsequently submit a final disposition application to the SAC under the “50 or fewer” option. Alternatively, if the units are in the same project, the PHA can simultaneously convert enough public housing units under RAD that would result in the PHA having 50 or fewer units and utilize the 50 or fewer option in conjunction with the RAD conversion, rather than as separate transactions. This arrangement is also referred to as the “RAD/Section 18 Close-out Blend.”

Please visit [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/repositioning](https://www.hud.gov/program_offices/public_indian_housing/repositioning) for additional related guidance, such as guidance regarding the use of [Tenant Protection Vouchers](#), and [Repositioning and Public Housing Funds](#). Please contact your local PIH Field Office or email [Repositioning@hud.gov](mailto:Repositioning@hud.gov) if you have additional questions.

**1. Question: What are the primary benefits of a PHA using the “RAD/Section 18 Close-out Blend?”**

There are several benefits to using the RAD/Section 18 Close-out Blend. These include:

- **Increased revenue.** For the 50 or fewer units that the PHA utilized Section 18, HUD will issue tenant protection vouchers to the PHA that can be project-based (i.e., “Project-Based Voucher”). When combined with units converting under RAD, the project will often have significantly more revenue, which can be used to support greater financing.
- **Use of remaining public housing funds.** A PHA is not permitted contribute public housing funds to a property when it is no longer public housing, except in the case of a RAD conversion. If combined as a single transaction, the PHA can contribute any remaining public housing funds into the property at RAD Conversion Closing provided the PHA has followed HUD termination and closeout requirements of PIH Notice 2019-13 and budgeted funding for closeout activities.
- **RAD resident rights.** When RAD and non-RAD PBV are combined at the same project, all residents receive the rights applicable to a RAD resident, including the prohibition against re-screening, rent increase phase-in, and protections for tenants that may be over-housed at the time of conversion. Thus, all households can be guaranteed the right to remain at the project.
- **Streamlined, single processing.** Rather than submit two separate applications – a Section 18 Disposition application to the SAC and a RAD Application to Recap, HUD will process “RAD/Section 18 Close-out Blends” through the standard RAD processing.

**2. Question: Will the units approved through Section 18 be subject to the RAD conversion requirements?**



As described below, a PHA that uses the RAD-Section 18 Close-out Blend will apply and be processed following the RAD requirements. Accordingly, all units at the project would undergo a Capital Needs Assessment (unless there are 50 or fewer total units in the blended project—see Question 4) and satisfy RAD’s underwriting requirements, including the requirement to address any capital needs as part of the conversion and to commit to replacement reserve deposits that meet the long-term needs of the project.

**3. Question: Is the PHA required to close out its public housing program?**

Yes. The Section 18 justification to dispose of 50 or fewer remaining units (Section 3.A.3.b of PIH 2018-04) requires public housing close-out and ACC termination. Thus, for any RAD/Section 18 Close-out Blend, the PHA commits to not developing any new public housing and to either close their public housing program or to work with another PHA to transfer or consolidate. [See PIH Notice 2019-13.](#)

**4. Question: Can a PHA with 50 or fewer units also take advantage of the RAD/Section 18 Close-out Blend?**

Yes. A PHA with 50 or fewer units can also take advantage of the RAD/Section 18 Close-out Blend. A very small PHA may decide to take advantage of this option if it otherwise was going to fully dispose of its public housing under the Section 18 "50 or fewer" justification but (1) may have some operating reserves that it wants to make available to the project (see more information on reserves, below) and/or (2) may want its residents to benefit from the RAD resident protections. If the total number of units in the blended project is under 50, the transaction will be eligible for Streamlined RAD Processing in accordance with Section 1.15 of the [RAD Notice H-2019-09 PIH-2019-23 \(HA\)](#). In this case, a Capital Needs Assessment is not required.

**5. Question: Is there any minimum number of units in a blended project that must be converted via RAD?**

The contract administrator would determine any minimum threshold of units to be included in the RAD PBV or PBRA HAP contract. For RAD PBV units, the PHA serving as the contract administrator makes the determination. For RAD PBRA, where the contract is directly with HUD, the local office of Multifamily Asset Management makes the determination.

**6. Question: Will the entire project be subject to the RAD Use Agreement?**

HUD will require a rider to the RAD Use Agreement that will apply to the PBV units that had been approved under Section 18 and that reflect certain statutory differences between RAD and non-RAD PBV (e.g., there is no provision for a transfer of assistance under non-RAD PBV). If the Section 18 units are on a separate legal parcel, HUD may require a separate use restriction which preserves the property for affordable housing purposes, (generally defined as serving households of 80% of area median income) for 30 years.

**7. Question: Can a PHA contribute public housing funds (e.g., operating reserves or Capital Funds) to a project using RAD/Section 18 Close-out Blend?**

Yes. A PHA may contribute public housing funds but only in proportion to the percentage of RAD units in the transaction. For example, if one-third of the units are converted to RAD, public housing funds can only support one-third of the total project development costs. The Office of Recapitalization will check for this proportionality as part of the RAD Financing Plan review and will provide additional guidance to PHAs regarding the definition of “proportionality” as needed.

**8. Question: RAD and Section 18 normally have different relocation rules and requirements. Which rules and requirements will apply?**

If the Section 18 units will be project-based, in accordance with the RAD Notice (PIH Notice 2019-23/H Notice 2019-09), the RAD relocation requirements described in [PIH/Housing Notice 2016-17](#) (the RAD Fair Housing, Civil Rights, and Relocation Notice) shall apply to residents of the Section 18 units, in lieu of the relocation requirements under 24 CFR part 970 (see also 84 Fed. Reg. 54630 (Oct. 10, 2019)). All of the RAD relocation requirements shall apply to residents of the Section 18 units, including, but not limited to, the resident notice and meeting requirements, the right to return, and relocation assistance and payments. The PHA may not provide different relocation rights and benefits to residents of the project-based units.

**9. Question: Do all current residents have a right of return? Are households that will move back into units that will be assisted by the PBV contract subject to rescreening in order to be eligible for occupancy in the PBV program?**

If the Section 18 units will be project-based, all residents have a right of return to the property as described in PIH/Housing Notice 2016-17. Per Section 1.6.C.1 of the RAD Notice, current households, including those that will occupy non-RAD PBV units at the Covered Project, cannot be excluded from occupancy at the Covered Project based on any rescreening, income eligibility or income targeting requirements of the PBV program. As a result, all residents have a right to return to the property.

**10. Question: Will the residents that return to the non-RAD PBV units have the same resident rights as the residents in the RAD PBV units?**

Yes. To facilitate the uniform treatment of residents and units at a Covered Project, any non-RAD PBV units located in the same Covered Project shall be subject to the relocation requirements described in PIH/Housing 2016-17 and the RAD resident protections outlined in Section 1.6.C of the RAD Notice., including:

- Prohibition against rescreening
- Right of return
- Resident rent “phase-in”
- Continued participation in ROSS, FSS, Jobs Plus, and EID
- Resident participation rights and funding in accordance with Attachment 1B of the RAD Notice
- Termination Notification
- Grievance procedures

- Choice-mobility

**11. Question: Is the PHA eligible to receive Demolition Disposition Transition Funding (DDTF) or Asset Repositioning Fee (ARF) for the units that will be removed through Section 18?**

Yes, but only for those units transitioning under Section 18, not the RAD units. DDTF and ARF funds shall be used in accordance with the respective regulations at Parts 905 and 990.

Because PHAs are required to close-out their public housing programs if a PHA pursues a RAD/Section 18 Close-out Blend, the eligible uses will be limited (e.g., close-out costs, MTW activities, and transfer to another PHA if closing out through consolidation under [PIH Notice 2014-24](#)). PHAs identify if they have any eligible uses on the HUD-5837 form required as part of the Section 18 application. In addition, PHAs are only eligible for ARF for units with Section 18 approval for an entire project (as defined by the 1937 Act) or entire building in a project (as project is defined for public housing purposes, not RAD--see 24 CFR 990.190(h)). If units do not meet this criterion (i.e. because the RAD and Section 18 units are in the same building), the PHA is not eligible for ARF for the units removed under Section 18. ARF is part of Operating Funds as described in 24 CFR 990.190(h).

**12. Question: How will the rents for the units approved under Section 18 (subject to the PBV HAP Contract) be determined?**

The PHA (or the independent entity, if the project qualifies as PHA-owned – see PIH Notice 2017-21 Attachments A and B) will establish the “initial rent to owner” for units approved under Section 18 at the beginning of the Housing Assistance Payment (HAP) contract term, per 24 CFR 983.301(a)(2).

The PHA may want to determine the appropriate rents prior to submission of the RAD Financing Plan to support both HUD’s underwriting and to secure financing commitments from lenders/investors. Particularly where the project is not subject to competitive selection requirements (see [PIH Notice 2017-21](#) Attachment L) the PHA may author a conditional letter to support underwriting that states that if HUD approves the RAD conversion and the Section 18 blend and the site satisfies all requirements for the placement of a PBV HAP or AHAP contract; the PHA commits to placing a PBV contract on an identified number of units and at the appropriate rent level.

**13. Question: Does a PHA need to make the of sale to resident organizations to satisfy the requirements for the Section 18 disposition application for any units that will be placed under a PBV contract?**

No.

**RAD/Section 18 Close-out Blend Processing Instructions.**

1. PHAs should submit a RAD application through the RAD Resource Desk, ([www.radresource.net](http://www.radresource.net)) which covers the entire “project” that will encompass the transaction (i.e., the entire remaining public housing portfolio).
2. The PHA would make the request to utilize the Section 18 and RAD blending provision in its RAD Financing Plan, which would include documentation that HUD can use for both RAD and Section 18 processing as well as supplementary documentation needed to complete the Section 18 approval. The PHA will not need to submit a separate Section 18 application. In addition to standard Financing Plan requirements, the Financing Plan should include:
  - a. A detailed transaction summary in the Conversion Overview, which must describe the use of this provision and confirm that the units that will be removed through Section 18 Disposition will be sold or otherwise transferred (i.e. ground lease) to a third-party entity that is recognized as a separate independent entity under State law (which may include a non-profit affiliate controlled by the PHA).
  - b. A cash flow pro forma that reflects the income and expenses of the total project, i.e., for the RAD and non-RAD units.
  - c. A Capital Needs Assessment covering the whole project.
  - d. Any necessary front-end civil rights reviews completed for the entire project.
  - e. An Environmental Review for the whole project.
  - f. A RAD Initial Year Funding Tool that is correctly sized to include only the RAD units.
  - g. Utility allowance schedule reflecting the projected utility allowances following the completion of rehab or construction, which will be used to prepare the CHAP amendment.

The PHA would also submit certain materials needed for a complete Section 18 application that are not already required by RAD. Specifically, the Financing Plan should include:

- h. Site map(s) and spreadsheet designating which units, by address and unit type, will be removed through RAD and Section 18. The site map(s) should detail all land and improvements therein and the spreadsheet should designate which units, by address, and unit type, will be removed through RAD and Section 18
- i. Evidence of an Amended PHA Annual Plan, Significant Amendment, or MTW Annual Plan signifying that a portion of the project may be partially disposed of through Section 18 and replaced with Project-Based Vouchers.
- j. A local government support letter. The PHA should consult local government on the proposal to convert the project with up to 50 of the units under Section 18 and secure a letter of support—specifically addressing that up to 50 of the units that will be disposed of under Section 18.
- k. A relocation plan for any families who will not be relocated to PBV units at the project in accordance with RAD requirements.
- l. Evidence of consultation with any resident organization for the project and the Resident Advisory Board. Section 18 also requires PHAs to consult with affected residents, but PHAs can satisfy this as part of the RAD resident consultation, provided they discuss the Section 18 disposition at that consultation. However, if a PHA receives written comments from residents or resident groups, the PHA must include those comments and its evaluation of the comments; and
- m. A Board resolution that approves the HA’s proposal to dispose of up to 50 of the units under Section 18.

3. Upon receipt of the Financing Plan requesting the use of the RAD/Section 18 blend, HUD will revise the CHAP, amend the RAD PIC removal application, and create the Section 18 removal application. HUD will use the materials already submitted by the PHA to the RAD Resource Desk to populate the Section 18 application. The SAC will alert the PHA if there are any missing items necessary for the Section 18 application. HUD will not approve the Financing Plan until the Section 18 application is complete.
4. The Office of Recapitalization will subsequently issue the RCC, which will reference the transaction's use of the RAD/Section 18 blend and include a special condition that the non-RAD PBV HAP contract will be executed concurrent with the conversion. The SAC will then also issue the Section 18 approval letter.
5. The closing of the RAD conversion will occur simultaneously with the PHA entering into the PBV HAP or AHAP, as applicable. Accordingly, following the SAC approval, the PHA applies to its Public Housing Field Office for tenant protection vouchers (TPVs) 60-90 days before the vouchers are needed. The PHA must include HUD form-52515, a statement from the administering PHA, the leasing schedule, and SAC approval letter. The Public Housing Field Office will review the materials and (if approved), send a request to [PIHConversionActions@hud.gov](mailto:PIHConversionActions@hud.gov) for processing by HUD's Financial Management Division (FMD).
6. The PHA should submit a draft of the PBV HAP contract (HUD 52530-B PBV HAP Contract – Existing Housing) or AHAP (HUD 52531-A and HUD 52531-B) with the closing package the Office of Recapitalization. All of the land will be released from the DOT as part of the RAD transaction, and a RAD Use Agreement (with Section 18 rider) will be placed on the entire property, unless the Section 18 units are on a distinct parcel of land. The PHA will dispose of the property to the entity undertaking redevelopment who will then proceed with the planned rehabilitation or demolition and new construction. Following the disposition, the SAC (not the field office) will remove the units approved under Section 18 from PIC at the same time as the units converting under RAD are removed.